

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS

SUPERIOR COURT

99-E-0410

IN THE MATTER OF THE LIQUIDATION OF
TUFTS HEALTH PLAN OF NEW ENGLAND, INC.

LIQUIDATOR'S SEVENTH INTERIM STATUS REPORT

Paula T. Rogers, Commissioner of Insurance of the State of New Hampshire and the duly appointed Liquidator of Tufts Health Plan of New England, Inc. in the above-captioned liquidation proceeding, for her Seventh Interim Status Report for the quarter ending October 31, 2001, states as follows:

1. This Court entered an Order of Liquidation on January 3, 2000 against Tufts Health Plan of New England ("TNE"). Under the Order, coverage under TNE policies ceased on February 2, 2000.¹
2. The Liquidator filed her First Interim Status Report on May 19, 2000; her Second Interim Status Report on September 1, 2000, covering the period from the commencement of this case through July 31, 2000; her Third Interim Status Report on December 1, 2000, covering the period from the commencement of this case through October 31, 2000; her Fourth Interim Status Report on March 1, 2001, covering the period from the commencement of this case through January 31, 2001; her Fifth Interim Status Report on May 31, 2001 covering the period from the commencement of this case through April 30, 2001; and her Sixth Interim Status Report on August 31, 2001,

¹ TNE was incorporated on or about January 31, 1995 as a health maintenance organization ("HMO") by certain parent and affiliate organizations: Tufts Health Plans, Inc., Tufts Affiliated Health Maintenance Organization, Inc., and TAHMO Holdings, Inc. These parent and affiliate organizations are collectively referred to in this Interim Report as "TAHMO."

covering the period from the commencement of this case through July 31, 2001. Since the Sixth Interim Status Report, the Liquidator has continued the work of marshaling the assets of the liquidating estate, implementing the proof of claim process, supervising the wind-down of TNE operations, and settling claims through various means, including an expedited NOD Process defined in the Plan of Liquidation and the Funding and Settlement Agreement approved by this court in its order dated December 28, 2000.²

3. The Liquidator and her agents have reviewed the financial records of TNE, worked to identify additional assets, and have pursued conversion of non-liquid assets into cash. At October 31 2001, cash and cash equivalents total \$12.5 million (including approximately \$1.3 million in special deposits held in the ancillary proceeding pending against TNE in the State of Rhode Island. Additional assets of approximately \$900,000 remained on TNE's balance sheet as of that date, consisting mainly of amounts due TNE under risk sharing contracts with providers. The Liquidator's agents continue to pursue additional unrecorded assets, but are unable at this time to project the anticipated net realizable value of those assets.

4. In total, 6,545 Proofs of Claims (or "POC's") were filed before the July 10, 2000 bar date previously established by the Liquidator or upon further review have been deemed to meet the "good cause" criteria for acceptance as timely filed. The total amount claimed on the face of the timely filed POCs, including amendments received thereto, now equals \$87,255,337. Of the 6,545 POC's, 416 were filed with the amount owed as "unliquidated" or "unknown." In addition, as of October 31, the Liquidator has identified 122 POCs, with a total face amount of \$267,890 as filed after the July 10 bar

² Capitalized terms used herein are intended to have the same meaning as they have in the Plan of Liquidation and the Finding and Settlement Agreement.

date and which do not appear to meet “good cause” criteria for allowance as timely filed. The POC’s have been inventoried, and an acknowledgement of receipt has been sent to all claimants. All timely filed POC’s are currently being matched to TNE’s books and records (as historically maintained by TAHMO) to determine adjudicated claim values. With respect to late-filed POC’s, the Liquidator has communicated with all holders of late-filed claims to determine whether good cause exists for the respective holders’ failure to comply with the bar date, and has communicated her determination of that issue to each such holder separately.

5. The Funding and Settlement Agreement and the Plan of Liquidation also allow the Liquidator to implement an expedited claims settlement process described therein as the Pre-NOD Process. The Pre-NOD Process allows the Liquidator to settle and pay claims that meet certain criteria described in the Funding and Settlement Agreement, in an expeditious manner. On October 25, 2001, a hearing was held in the Superior Court of Merrimack County on the Liquidator’s Motion to Accelerate Payment of Class Five Claims, in which the Liquidator sought authority to commence the payment of Allowed Claims in Classes junior to Class Two without first having paid all Allowed Class Two Claims in full. The court granted this motion on October 25, 2001 and the adjudication and payment of Class Five Claims (including the issuance of Pre-NODs for qualifying POCs) thereupon commenced. As of October 31, 2001, the Liquidator had issued 3,501 Pre-NODs totaling \$ 9,400,909 to the holders of Allowed Class Two and Class Five Claims. As of October 31, 2001, the Liquidator had received 2,612 Pre-NOD acceptances, totaling \$ 8,230,731 in Allowed Claims.

6. The Liquidator continues to support the Rhode Island Ancillary Receiver by providing information and data sufficient for required court filings. The Liquidator is currently gathering information to determine the total amounts claimed by Rhode Island claimants. Actuarial estimates of this amount initially forecast that less than \$500,000 in claims would be payable to Rhode Island residents. However, it currently appears that other claims based on PCP bonuses, minimum payment arrangements and other matters may increase claims payable from the Special Deposits by as much as \$500,000.

7. Cumulatively, between December 20, 1999 and October 31, 2001, the Liquidator paid approximately \$34.7 million in Class I administration costs, of which approximately \$22.4 million was paid to contracted providers for delivery of post-petition medical services and products to TNE members and subscribers. Additionally the Liquidator has paid approximately \$35 million in Proof of Claims settlements, including \$14 million paid to Bath Iron Works to settle its claim as set forth in the Funding and Settlement Agreement. Exhibit A to this Interim Report lists, by the POC Number assigned by the Liquidator, all Allowed Claims paid as of October 31, 2001. Due to the length of Exhibit A (240 pages) and the number of parties who have intervened in this proceeding, the Liquidator has not served a copy of Exhibit A to this Seventh Interim Status Report served upon counsel of record in this proceeding. The Liquidator hereby requests the court's permission to serve a copy of Exhibit A only upon parties or their counsel, which the Liquidator will do upon receipt of a written request addressed to either of the Liquidator's undersigned counsel.

8. The Liquidator continues to use existing TNE and TAHMO claims payment systems to adjudicate all provider claims and to pay Class I contracted provider

claims. As reported previously, in recognition of the reduced volume and scope of administrative services provided, the administrative fees payable and accruing to TAHMO in connection with its services rendered to the Liquidator in this proceeding were reduced, retroactive to April 1, 2000.

9. During the quarter ending October 31, 2001, the Liquidator also held discussions with TAHMO (which are ongoing) concerning progress toward the Conclusion of Services contemplated in the Plan of Liquidation and the closing of this liquidation proceeding, which the Liquidator hopes and intends to achieve as soon as practicable.

10. The Liquidator continues to place a priority on addressing member complaints throughout the liquidation process. To that end, the Liquidator previously established an accelerated process for resolving complaints received from members experiencing continued billings and collection efforts from medical providers. The accelerated process seeks to protect members from being inappropriately billed for services and/or from being pursued by collection agencies. The process continues to emphasize educating providers on the terms of the contractual agreements and statutes that protect members from inappropriate billing practices. The existence and goals of this complaint resolution process have been shared with the general public through public meetings. In addition, regulators from Maine and Rhode Island are forwarding such complaints to the Liquidator for quick resolution.

11. The Liquidator plans to continue her regular communication with all TNE subscribers, policyholders, providers, brokers or agents, general creditors and other claimants and interested parties, and continues to post significant developments in this

proceeding on the New Hampshire Insurance Department's web site,
www.state.nh.us/insurance.

Dated: November 30, 2001

Respectfully submitted,

PAULA T. ROGERS, COMMISSIONER
OF INSURANCE OF THE STATE OF
NEW HAMPSHIRE, AS LIQUIDATOR
OF TUFTS HEALTH PLAN OF NEW
ENGLAND, INC.

By her attorneys,

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CERTIFICATE OF SERVICE

I hereby certify that on this 30th day of November, 2001, a copy of the foregoing Liquidator's Seventh Interim Status Report (without Exhibit A) was served upon the parties listed on the attached service list via first class mail, postage prepaid.

Bruce A. Harwood

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS

SUPERIOR COURT

99-E-0410

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EXHIBIT A TO LIQUIDATOR'S SEVENTH INTERIM STATUS REPORT

See Item 7. Above regarding this Exhibit